

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-08 FRB-03 INR-07  
NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02  
LAB-04 SIL-01 OMB-01 OES-07 EPA-01 CEQ-01 HUD-01  
FEAE-00 AGRE-00 STR-05 L-03 /073 W  
-----020243 031502Z /42

R 030900Z OCT 77  
FM AMCONSUL PALERMO  
TO SECSTATE WASHDC 2234  
INFO AMEMBASSY ROME  
AMCONSUL MILAN  
USDOC WASHDC

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MILAN FOR USTC

E.O. 11652: N/A  
TAGS: BEXP, ECON, PINT, IT  
SUBJECT: TRADE PROMOTION AND COUNTRY COMMERCIAL PROGRAM:  
VISIT TO CATANIA AND SIRACUSA - SEPT. 13-17, 1977

SUMMARY: THE ECONOMY REMAINS DEPRESSED IN BOTH PROVINCES.  
PROBLEMS ARE LACK OF INVESTMENT, LABOR DIFFICULTIES, HIGH  
INTEREST RATES, LACK OF TECHNICAL ASSISTANCE AND MAINTENANCE  
FACILITIES, LIMITED MARKET OUTLETS, ETC.

PICTURE IS NOT ALL BLACK, HOWEVER, WITH NEW INDUSTRIAL  
PROJECTS TO INCLUDE A LARGE WATER POLLUTION TREATMENT  
PLANT, A 260 BILLION LIRE ETHYLENE CRACKING PLANT, A  
NEW SIRACUSA/CATANIA HIGHWAY AND A 4 BILLION LIRE BIOCHEMICAL  
WATER TREATMENT PROJECT.

RESPONSES TO OUR QUESTIONS ABOUT LOCAL INTEREST  
IN ENVIRONMENTAL PROTECTION REFLECTED TRADITIONAL CONFLICT BETWEEN  
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ANTI-POLLUTION REQUIREMENTS AND WHAT SOME CONTINUE TO  
CONSIDER COSTLY "LUXURY".

THE FEW US FIRMS ESTABLISHED IN THE TWO PROVINCES  
ARE THERE TO STAY EVEN THOUGH THEY SHARE PROBLEMS AND  
PREOCCUPATIONS OF THEIR ITALIAN-OWNED COUNTERPARTS.

BUSINESSMEN WE TALKED TO SHOWED GREATER DISENCHANTMENT AND DISINTEREST IN POLITICS THAN IN PAST, A SOMEWHAT FATALISTIC ATTITUDE ABOUT THE PCI'S ROLE (SOME INDUSTRIALISTS RECKON COMMUNIST LINKS WITH THE GOVERNMENT WILL BRING GREATER LABOR DISCIPLINE) AND A DECLINING IN INTEREST IN THE SMALLER PARTIES. END OF SUMMARY.

1. DEPRESSED ECONOMY ....BUT SOME NEW INITIATIVES.

DURING MEETINGS WITH THEM, CATANIA IMPORTERS COMPLAINED OF IMPORT RESTRICTIONS, HIGH INTEREST RATES, AND LACK OF A MASS CONSUMERS MARKET. LEADING INDUSTRIALISTS DESCRIBED OTHER PROBLEMS: MONTEDISON DIRECTOR, FOR EXAMPLE, WENT ON AT LENGTH ABOUT THE LOVE-HATE RELATIONSHIP BETWEEN HIS PLANT AND LOCAL POPULATION BECAUSE OF CHARACTERISTIC FEATURES OF HIGH POLLUTION AND LOW EMPLOYMENT RATES. THE TWO SECTORS WHICH ARE HAVING GREATEST CURRENT DIFFICULTY ARE PHARMACEUTICALS, AFFECTED BY CHANGES IN HEALTH INSURANCE COVERAGE WHICH WILL LIMIT CONSUMPTION LEVELS, AND THE HOUSING INDUSTRY, WHERE STAGNATION HAS REPLACED CHAOTIC BOOM. IN THE PHARMACEUTICAL SECTOR ALONE, WE WERE TOLD THAT SEVERAL PLANTS (E.G. SPADARO VENTURA) WERE EITHER CLOSING DOWN OR PUTTING EMPLOYEES ON RELIEF (CASSA D'INTEGRAZIONE).

2. WHILE THE GENERAL OUTLOOK FOR INDUSTRIAL INVESTMENTS IS BLEAK, WE WERE ALSO INFORMED OF SOME NEW PROJECTS:

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(A) ING. EUGENIO RENDO OF CATANIA'S LARGE RENDO GROUP INFORMED US THAT HIS COMPANY IS NEGOTIATING WITH THE U.S. INTER/TECHNOLOGY CORP. FOR JOINT ACTIVITIES IN THE SOLAR ENERGY FIELD. THIS CONTACT WAS FIRST MADE AT THE JUNE 1977 PALERMO SOLAR ENERGY EXPOSITION. (SEE PALERMO 430).

(B) MONTEDISON IS GOING AHEAD WITH PLANS FOR A 260 BILLION LIRE CRACKING PLANT FOR THE PRODUCTION OF 600,000 TONS OF ETHYLENE ANNUALLY.

(C) A SPECIAL INFRASTRUCTURE PROJECT, FUNDED LARGELY BY THE CASSA PER IL MEZZOGIORNO, PROVIDES FOR THE CONSTRUCTION OF A NEW SIRACUSA-CATANIA SUPER-HIGHWAY.

3. ENVIRONMENTAL PROTECTION.

OUR SOUNDINGS ON THIS SUBJECT REVEALED CONFLICTING DEMANDS BETWEEN INVESTMENT FOR POLLUTION-CONTROL AND THE NEED TO USE SCARCE CAPITAL ELSEWHERE.

4. SOME INITIATIVES, HOWEVER, HAVE ALREADY BEEN TAKEN.

IN CATANIA, RENDO HAS ALREADY PROVIDED FIRMS'S LARGEST AGRICULTURAL AND LIVESTOCK INSTALLATIONS WITH WATER PURIFICATION

EQUIPMENT. ESSO'S PRIOLO REFINERY, WHICH ALREADY HAS A MODERN ANTI-POLLUTION WATER TREATMENT SYSTEM, IS CONSIDERING AN ADDITIONAL, 3 TO 4 BILLION LIRE MICROBIOLOGICAL SYSTEM. MONTEDISON HAS CONFIRMED THAT IT IS GOING AHEAD WITH ITS 50 BILLION LIRE ANTI-POLLUTION PROGRAM WHICH IS TO INCLUDE A WATER PURIFICATION SYSTEM. THE PROJECT IS TO BE PARTLY FINANCED BY THECASSA PER IL MEZZOGIORNO.

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5. THE SIRACUSA INDUSTRIALISTS ASSOCIATION, TOGETHER WITH MONTEDISON, ESSO AND LIQUICHIMICA, IS OPERATING A NETWORK OF 25 AIR POLLUTION MONITORING STATIONS THROUGHOUT SIRACUSA PROVINCE. THE PRESIDENT OF THE ASSOCIATION TOLD US HE BELIEVES THAT THERE IS AN EXCELLENT MARKET FOR U.S. ANTI-POLLUTION EQUIPMENT AND SYSTEMS, PROVIDED WE MAKE THE REQUIRED PROMOTIONAL EFFORTS. HE REPEATED HIS PREVIOUS SUGGESTION THAT U.S. EXPERTS PARTICIPATE IN A LOCAL SEMINAR ON THE SUBJECT, BUT LAMENTED THE FACT THAT LOCAL INDUSTRY HAS NO FUNDS TO SPEND ON SUCH A MEETING.

6. U.S. FIRMS IN THE AREA.  
ESSO PRIOLO REFINERY HAS SHARED IN THE COMPANY'S ITALY-WIDE PROBLEMS IN RECENT YEARS, BUT LOCAL MANAGEMENT REITERATED THE COMPANY LINE THAT ESSO WILL CONTINUE ITS ACTIVITIES IN ITALY AND THEREFORE IN SICILY. CONTACTS AT AMERICAN CYANAMID'S

PHARMACEUTICAL PLANT IN CATANIA INDICATED THAT WHILE BUSINESS HAD BEEN SATISFACTORY IN THE RECENT PAST, ROUGH WEATHER LIES AHEAD  
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WITH IMPLEMENTATION OF NEW RESTRICTIONS ON PRESCRIPTION COSTS THAT WILL BE COVERED BY NATIONAL HEALTH INSURANCE. THE INTERNATIONAL PAPER COMPANY'S CATANIA PLANT HAS HAD A ROUGH YEAR WITH LABOR AND OTHER PROBLEMS BUT FUTURE PROPECTS LOOK BRIGHTER. THE ONLY U.S. FIRM PLANNING EXPAND ACTIVITIES IS A SMALL FRUIT TREATMENT COMPANY CALLED WALLACE TIERNAN DECCO ITALIA WHICH IS 75 PERCENT OWNED BY PENNWALT CORP.

7. ALL U.S.-OWNED FIRMS INTERVIEWED CONSIDERED THEIR PROBLEMS SIMILAR TO THOSE OF NON-AMERICAN FIRMS IN THE AREA. THEY ALSO UNDERScoreD THE PRESENT "MODERATE AND UNDERSTANDING" ATTITUDE OF THE LARGER LABOR UNIONS (CGIL, CISL AND UIL) AS OPPOSED TO MORE DISRUPTIVE BEHAVIOR OF REPRESENTATIVES IN INDIVIDUAL PLANT WORKERS' COMMITTEES (CONSIGLI DI FABBRICA).

8. TRADE PROMOTION AND COUNTRY COMMERCIAL PROGRAM. DURING OUR VISIT TO LOCAL CHAMBERS OF COMMERCE AND INDUSTRIALISTS ASSOCIATIONS WE PROMOTED U.S. TRADE CENTER SHOWS AND THE FOREIGN BUYERS PROGRAMS. SOME CATANIA BUSINESSMEN EXPRESSED INTEREST IN ATTENDING THE UPCOMING IPACK/IMA SHOW IN MILAN.

9. POLITICAL DEVELOPMENTS. WE WERE STRUCK BY THE PASSIVITY OF MOST BUSINESSMEN AND INDUSTRIALISTS WITH WHOM WE SPOKE ABOUT THE CURRENT ROLE OF THE PCI. EUGENIO RENDO, FOR EXAMPLE, STATED THAT HE FOUND THE COMMUNISTS TO BE THE MOST SERIOUS, RELIABLE AND WELL PREPARED INTERLOCUTORS IN ANY PARTY, THOUGH HE DID ADD THAT THE SITUATION WOULD CERTAINLY CHANGE FOR THE WORSE SHOULD THE PCI'S POWER INCREASE MARKEDLY. THIS MOOD OF PERMISSIVENESS, SAID ONE OF OUR INTERLOCUTORS, WAS ALSO FAVORED BY WHAT SOME PERCEIVE AS A RECENT SOFTENING OF U.S. OPPOSITION TO THE PCI.

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10. THE PCI'S NEW RESPECTABILITY STANDS IN CONTRAST BOTH TO THE EVIDENT, SHARP DECLINE IN INFLUENCE OF THE INTERMEDIARY PARTIES -- PRACTICALLY NO ONE MENTIONED THEM AS SERIOUS POLITICAL FORCES -- AND TO A MARKED DECLINE OF THE ITALIAN RIGHT (MSI AND DEMOCRAZIA NAZIONALE), TRADITIONALLY VERY STRONG IN THE CATANIA AREA. NO ONE EXPECTS THE FAR RIGHT TO REPEAT ITS STRONG 1971 PERFORMANCE.

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